

Message Text

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51

ACTION AGR-20

INFO OCT-01 NEA-10 ISO-00 EB-11 COME-00 TRSE-00 EA-11

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FM AMCONSUL KARACHI

TO SECSTATE WASHDC 7713

INFO AMEMBASSY ISLAMABAD

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PASS AGRICULTURE FOR WEBB FAS/COT

E.O. 11652: N/A

TAGS: EAGR PK

SUBJECT: PAK COTTON EXPORTS TO PRC

REF: FASTO CIRC 302

1. AGRICULTURE ATTACHE HAS EXPLORED COTTON EXPORTS TO PRC WITH PRIVATE TRADE SOURCES KARACHI. IN PAK COTTON YEAR ENDING AUG. 31, 1973 PAKISTAN SHIPPED 179,672 RUNNING BALES OF 400 LBS. OF UPLAND PLUS 9616 BALES DESI TO PRC. IN ADDITION TO ACTUAL EXPORTS 41,000 BALES UPLAND WERE REGISTERED AS SOLD FOR SHIPMENT TO PRC BUT DID NOT DEPART OWING TO FAILURE OF PAK EXPORTERS TO FULFILL CONTRACTS. GOP MUCH DISTURBED ABOUT THIS BECAUSE OF SENSITIVITIES NOT RPT NOT WISHING TO OFFEND PRC, ACCORDING TRADE SOURCES. THIS TOGETHER WITH OTHER NON-FULFILLMENT OF CONTRACTS PARTICULARLY WITH HONG KONG JUDGED BY TRADE SOURCE AS ONE OF SEVERAL IRRITANTS THAT LED GOP TO REMOVING COTTON EXPORTS FROM PRIVATE TRADE AND ESTABLISHING GOVERNMENT COTTON EXPORT CORPORATION (CEC).

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2. FOR CURRENT SEASON THUS FAR NO PAK SALES TO PRC.

DISCUSSION IN MID-NOVEMBER BETWEEN PRC TRADE DELEGATION AND CEC RESULTED IN NO ANNOUNCED DECISION. IT IS RUMORED THAT TRADE DEL WAS INTERESTED IN 40,000 - 50,000 BALES AS INITIAL PURCHASE BUT ALLEGEDLY REPORTED TO PEKING THAT CEC PRICING FORMULAS TOO COMPLEX TO REACH ANY IMMEDIATE AGREEMENT. CHINESE ARE SAID TO HAVE TENTATIVELY SUGGESTED PAYING FOB KARACHI PRICES EQUAL TO NEW YORK FUTURES PRICES LESS FIVE US CENTS PER POUND AS DISCOUNT FOR SHORTER PAK UPLAND STAPLE LENGTHS, AND POSSIBLE INFERIOR QUALITY. FINALLY, PRC REPS REPORTEDLY DEMANDED THAT IF PRC BOUGHT THROUGH CEC IT WOULD REQUIRE THREE INSPECTIONS BEYOND NORMAL PROCEDURE FOLLOWED IN DEALING WITH TRADITIONAL PAK SUPPLIERS.

3. COMMENT: IN ALL PROBABILITY GOP WILL ENCOURAGE SOME COTTON SALES TO PRC AND THAT A LIMITED NUMBER OF TRADITIONAL PRIVATE TRADERS WILL HANDLE TRANSACTIONS AS AGENTS OF CEC. WITH TOTAL COTTON EXPORT OUTLOOK LIMITED TO AROUND 450,000 BALES NOT LIKELY HOWEVER, THAT SALES TO PRC WOULD EXCEED 100,000 BALES.
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